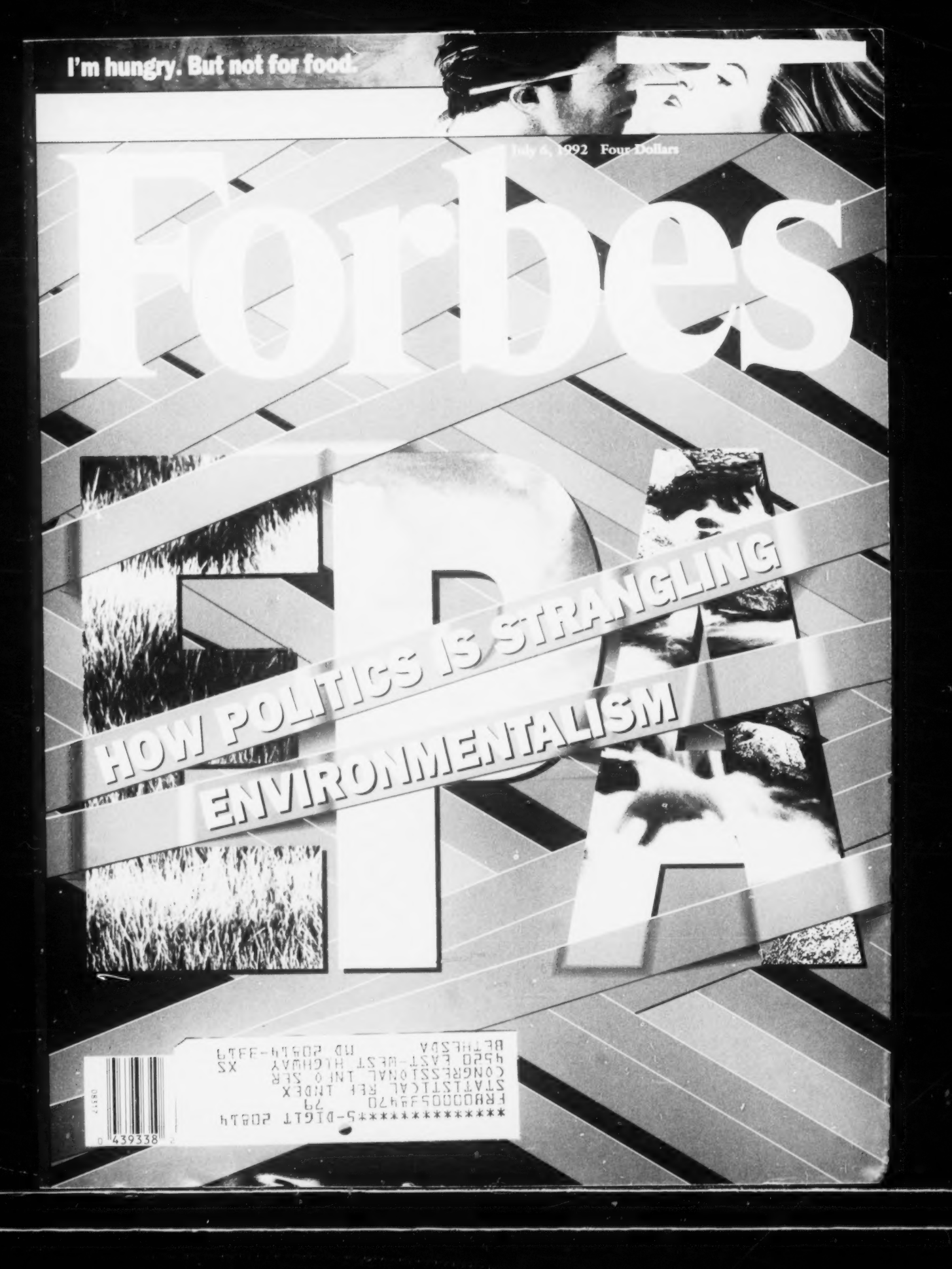
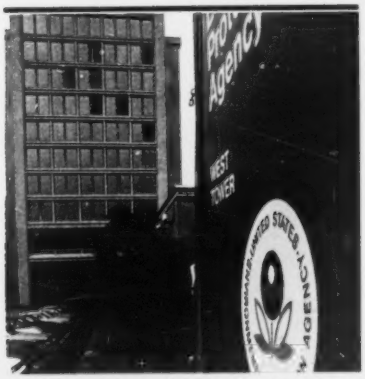

I'm hungry. But not for food.
July 6, 1992 Four Dollars
Forbes
HOW POLITICS IS STRANGLING ENVIRONMENTALISM

Forbes
JULY 6, 1992 VOLUME 150 NUMBER 1



A stink is rising around the Environmental Protection Agency—and not just at its sick Washington headquarters.
59

The retailing recession is biting even L.L. Bean. Could it be that the rubber sole is coming away from its boot?
42

Delight tingled down every nerve in her body. Surrender was only a moment away. Great literature it isn't, but steamy romance is big business.
70

ON THE COVER

How Politics Is Strangling Environmentalism 59
By Peter Brimelow and Leslie Spencer
U.S. environmental policy is out of control, costing jobs, depressing the U.S. standard of living and being run by politicians, scheming business people, political and social extremists.

"I'm Hungry. But Not For Food." 70
By Dana Wechsler Linden and Matt Rees
More women are working harder and their fantasies are taking on new dimensions, making romance novel publishing hotter than ever.

Computers/Communications: New Threat To Microsoft 100
By Julie Pitta
Microsoft locked up the operating systems' business for the first generation of personal computers. Its hold on the coming generation is much less secure.

COMPANIES / INDUSTRIES

L.L. Bean 42
By Phyllis Berman with Amy Feldman
L.L. Bean has gone a long way with its backwoods Maine image, but no formula is forever.

U S West 46
By Gary Slutsker
Pick Russian business partners with care. U S West didn't.

Gitano Group 48
By Gretchen Morgenson
Like the dog in the fable, Gitano's Morris Dabah risked losing what he had in quest of what he thought was better.

Crimson Capital 50
By Jason Zweig
Robert Davis, one of the pioneers of the leveraged buyout game, is still at it. You never heard of him? That's fine with Davis.

Sahara Resorts 51
By James Cook
Sahara Resorts' Paul Lowden isn't building any megacasinos in Las Vegas, but he wouldn't mind if the big resorts that are going up pulled in lots of traffic.

Up & Comers: Swearingen Aircraft 88
By Jerry Flint
At 67 Ed Swearingen hasn't yet realized his life's dream. He's still trying—and this time he may make it.

Up & Comers: Paxar Corp. 90
By Jerry Flint
Arthur Hershaft's principal business was in the doldrums. But today his company is to clothing labels what IBM is to computers.

Guardian Industries 92
By Marcia Berss
Twenty years ago Bill Davidson broke the oligopoly in U.S. glass manufacturing. Now he's trying to do the same thing in Japan.

Natural Gas 93
By Toni Mack
When politics interferes with free markets, there are unintended consequences. Usually undesirable.

Lennar Corp. 98
By Claire Poole
The housing market was terrible last year, but Lennar Corp. had a great year. Leonard Miller's secret is what he calls pyramiding down.

INTERNATIONAL

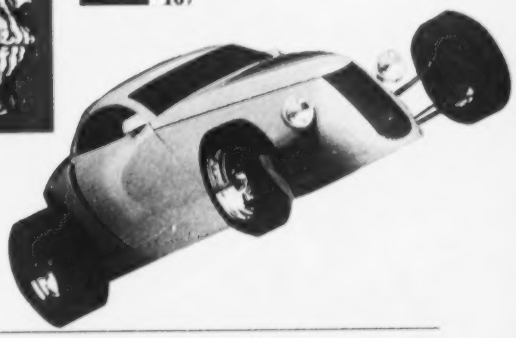
Lethal Harvest 45
By Peter Fuhrman
The former Soviet Union has much to sell for hard currency: gold, oil, diamonds, heroin.

The Three Chinas Boom 47
By Andrew Tanzer
A few years ago they weren't interested in the place, but now U.S. fund managers have caught China fever.

UL tests everything from fire doors to toaster ovens to hair curlers—for a fee, and is tax exempt at that.
96

The next generation of computers will blend video, sound, text and graphics in a single show-and-tell—and Microsoft will lose its dominance.
100

Hot rods—named The Outlaw, Eliminator, Born to Cruise—are back. But now they're driven by men in their 40s and 50s bitten by the nostalgia bug.
107



MONEY & INVESTING

The Funds: You Can't Fire Me 118
By Suzanne Oliver
Part of the selling pitch for Managers Funds is that the stock pickers, as outside contractors, can be removed. Does this help the fund investor?

Statistical Spotlight: Cost-Cutters 119
By Eric S. Hardy
Cutting costs is easier said than done, but some companies appear to have found the right formula. Their earnings should grow faster than their revenues.

The Forbes Index 40
The Forbes/Barra Wall Street Review 115
World Markets Review 116

Streetwalker 128
Presidential election year stock markets; IHOP Corp., Clark Equipment; Bruno's; Waste Management.

MARKETING

Testing For Money 96
By William P. Barrett
Underwriters Laboratories, the safety testing company, is nearly a century old, yet it continues to outhustle its competitors. Will toilet paper be a new gold mine?

COMPUTERS/COMMUNICATIONS

Smart Answering Machines 101
By David C. Churbuck
Salesmen call in constantly to get simple questions answered: What is the part number? Where is my order? To field the calls, you need one of these things. Also: Commentary by Joseph R. Garber.

SCIENCE & TECHNOLOGY

A Preemptive Strike Against The Tort Bar 104
By Peter Huber
When an investigative reporter seems eager to talk to everyone in the world about Huber except for Huber himself, you have to wonder. It seems the plaintiffs' bar, unwilling to debate tort reform on the facts, has decided to wage a war of personalities.

PERSONAL AFFAIRS

A Little Deuce Coupe 107
By Jerry Flint
When all the cool guys had hot rods, were you stuck with the family Nash? Now you can roll the car clock back, and it needn't cost a fortune.

Collectors: From Brandy-Pawny To Mulligatawny 108
By Manjeet Kripalani
Captured in paint and pen-and-ink by artists of the Anglo-Indian School, romantic colonial visions of a vanished world are available to collectors at relatively reasonable prices.

FACES BEHIND THE FIGURES

Thomas Bailey 112
Janus Capital
Peter Wolfson 112
Bankruptcy lawyer
William J. Schoen 113
Health Management Associates
Robert Lloyd George 113
Asian money manager

COLUMNISTS

Observations 69
Thomas Sowell
Portfolio Strategy 121
Kenneth L. Fisher
Stock Trends 122
R.S. Salomon Jr.
Market Trends 123
Frederick E. Rowe Jr.
Business Strategy 124
John Rutledge
Market Trends 125
Gerald W. Perritt

DEPARTMENTS

Side Lines 10
Follow-Through 14
The Informer 20
Readers Say 22
Fact and Comment 25
Other Comments 30
Commentary 35
What's Ahead For Business 39
Flashbacks 131
Thoughts 132

Editorial index is on page 6

Cover illustration by Andy Christie; top illustration by Alan Reingold; photos (left to right) Michael R. Schneps/Image Bank, Kaz Mori/Image Bank, Andrea Pistolesi/Image Bank

COMPANIES IN THIS ISSUE

Forbes

EACH REFERENCE IS TO THE FIRST PAGE OF THE STORY IN WHICH THE COMPANY NAME APPEARS.

A

Aero Systems, 131
AFG Industries, 92
Alexander's, 48
American Greetings, 119
American Motors, 92
Ames Department Stores, 48
Amoco, 93
Anadarko Petroleum, 93
Apollo Fund, 112
Asahi Glass, 92
AT&T, 19, 100
Avon Books (Hearst), 70
Avon Products, 122

B

Banque Indosuez, 113
Bantam Books (Bertelsmann Publishing Group), 26
Barnes & Noble, 70
Batterymarch Management, 118
L.L. Bean, 42
Bear Stearns, 116, 119
Berkley Publishing Group, 70
Betz Laboratories, 122
Beverly Hills Motoring Accessories, 107
Blackstone Financial Management, 118
Blanchard funds, 118
Boise Cascade, 22
Boston Ventures, 20
Bruno's, 128
Burlington Resources, 93

C

Cannon Group, 20
CEF Investment Management, 47
Centex, 98
Chadwick's of Boston (Zayre), 42
Charter Golf, 20
Checkers Drive-In Restaurants, 121
Christie's International, 108
Chrysler, 88
Circus Circus Enterprises, 51
Clark Equipment, 128
Community Health Systems, 113
Conference Board, 131
Cooper Tire & Rubber, 119
Cosmopolitan Lady, 14
CP Pokphand, 113
Crimson Capital, 50
CS First Boston, 128

D

Dalton, Greiner, Hartman, Maher, 118
Dell Publishing, 70
Denny's (TW Services), 121
Detroit Edison, 119
Detroit Pistons, 92
Dhanin Chearavanont, 113
Dietche & Field, 118
Dreyfus funds, 125
Dynatech, 121

E

Ecolab, 122
Edify, 101
Ennis Business Forms, 119
Enterprise funds, 118
ETL Testing Laboratories, 96
Evaluation Associates, 118

F

Fairchild Aircraft, 88
Fashion Network Report, 48
Fidelity funds (FMR), 47, 118, 125
Fixed Base Operators, 88
Foothill Group, 14
Ford Models, 70
Ford Motor, 92
44 Wall Street Fund, 118
Fox Broadcasting (News Corp), 14
Franklin funds, 125

G

Gap, 119
GE, 100
Geewax, Terker, 118
General Motors, 124
Gerber Products, 119
Gillett Holdings, 112
Gitano Group, 48
Goldman, Sachs, 93
Great Lakes Chemical, 122
Guardian Industries, 92
Gulfstream Aerospace, 88

H

H.I.S. Sportswear, 48
Hambrecht & Quist, 19
Harbor funds, 118
Health Management Associates, 113
Hill Department Stores, 48
Hot Rod, 107

I

IBM, 90, 100, 101, 102
IDB Communications Group, 19
IHOP, 128
Imcera, 122
IMR Fund, 20
Indar Pasricha Fine Arts, 108
Intel, 100
Itasca Systems, 102
Ivy funds, 118

July 6, 1992
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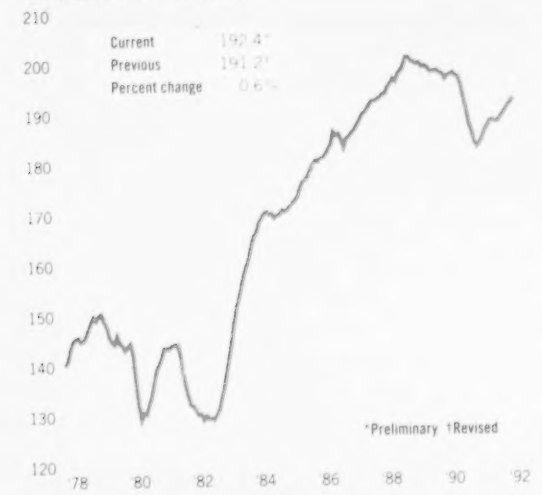
THE FORBES INDEX

BY TIMOTHY DODMAN



Consumer prices rose a scant 0.1% in May, but the Department of Labor's unadjusted producer price index for finished goods (which measures wholesale prices) rose 0.7%. That's the biggest increase at the wholesale level since October 1990. And in the last three weeks Knight-Ridder Commodity Research Bureau Futures Index, a gauge of price expectations for 21 commodities, climbed 2.6%. It is too early to tell whether this is a minor aberration or whether the economy is rebounding and, in turn, sparking off a new round of price inflation.

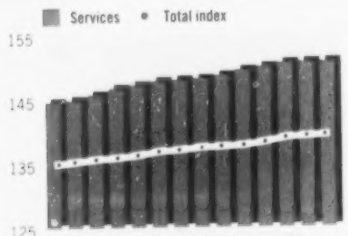
Other key rates	Source	Status
Prime rate	Chase Manhattaq Bank	6.5%
Auto sales year to date vs 1991[1]	Ward's Automotive	1.2%
Index of leading indicators Apr vs Mar	Dept of Commerce	0.4%
Trade balance 12 months ended Mar 1992	Dept of Commerce	-$68 bil
All-commodity producer price index May vs Apr[2]	Dept of Labor	0.7%
GDP 1st quarter vs 4th—annualized growth	Dept of Commerce	2.4%
M2 (3-month change)—annualized growth[3]	Federal Reserve	1.7%

[1] U.S.-based manufacturers, excludes imports, as of 5/30/92. [2] Wholesale goods. [3] Includes M1 (public currency and checking deposits) plus savings accounts and money market funds.

Index components

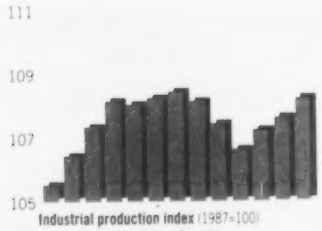
The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: Total industrial production; new claims for unemployment compensation; the cost of services relative to all consumer prices; new housing starts; total retail sales; the level of new orders for durable goods compared with manufacturers' inventories; personal income; total consumer installment credit.

To measure these 8 elements, Forbes monitors 10 series of U.S. government data. The last 14 months' data for each series are presented below.



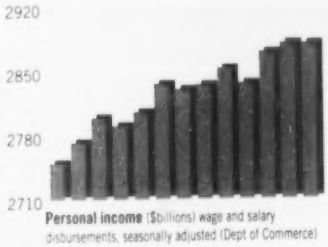
Consumer price indexes (1982-84 average=100) all urban consumers, unadjusted (Dept of Labor)

Manufacturers' new orders and inventories ($billions), seasonally adjusted (Dept of Commerce)



Industrial production index (1987=100) seasonally adjusted (Federal Reserve)

New housing starts (thousands) privately owned, unadjusted (Dept of Commerce)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept of Commerce)

New unemployment claims average for month (thousands), seasonally adjusted (Dept of Labor)

Retail sales ($billions), seasonally adjusted (Dept of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

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THE FORBES/BARRA WALL STREET REVIEW

BY ERIC S. HARDY

Eric Ryback's conservative stock picking has delivered an average 13%-a-year return to investors in the $360 million Lindner Dividend Fund since he took over in 1984. "We look for securities [mostly preferred stocks] with above-average yields and earnings growth prospects," he says. "This makes for a stable portfolio less sensitive to interest rate and stock price swings." Total return on the Lindner Dividend Fund is up 11% this year, while the overall market is down 1%.

Ryback has recently been buying convertible preferreds like the Sea Containers Ltd. Preferred E, which yields 8% even though it's trading close to its conversion price. Another pick: Varity Corp.'s preferred issue, which also yields 8%. Ryback likes Varity not just for its improving earnings picture but also because the company moved its headquarters to the U.S., thus canceling a 15% Canadian withholding tax on U.S. investors.

Special focus

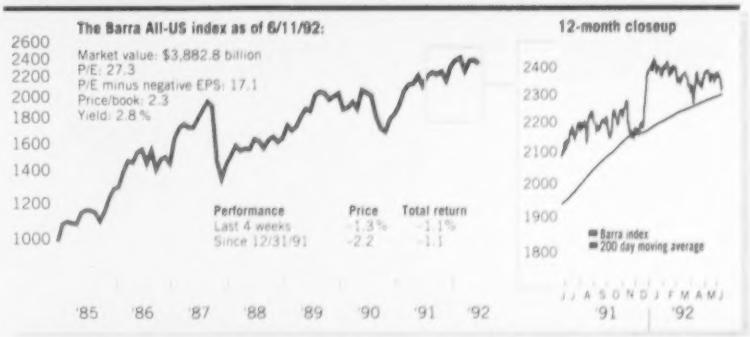
A lot can happen between now and the end of 1993, but if the analysts who report to the Institutional Brokers Estimate System are correct, these stocks look cheap. The ten companies below sell for less than nine times estimated 1993 earnings. And during the past three months analysts have not cut their estimates on any of these companies.

Based on 1993 estimates, the ten stocks below appear to be bargains.

Company	1993 Est P/E
Allied Group	6.8
Am Natl Insurance	8.6
Caesars World	8.8
Chase Manhattan	7.8
Conseco	6.1
CSS Industries	7.9
General Dynamics	8.8
Northrop	5.4
Primerica	7.5
Thiokol	5.1

Source: IBES, via Lotus One Source

The overall market



Closeup on the market

Index or investment	2-week change	% change from 1 year	% change from 5-year high
Barra All-US index	-1.9%	8.9%	-4.8%
S&P/Barra Growth index[1]	-3.1	10.6	-7.7
S&P/Barra Value index[2]	-0.3	12.2	-0.8
Dow Jones industrials	-1.4	13.0	-1.8
S&P 500	-1.9	8.3	-2.6
NYSE	-1.8	8.7	-2.9
Nasdaq	-2.2	15.4	-12.0
Amex	-0.6	6.5	-6.9
EAFE[3]	-0.1	-2.4	-24.5
CRB index[4,5]	2.1	-1.7	-22.4
Gold[5]	1.0	-7.9	-32.2
Yen[5]	-2.4	-11.0	-23.0
Oil[5]	1.8	13.5	-45.7

The best and worst performing stocks[6]

Best	Price	2-week change	1992 EPS[7]	Worst	Price	2-week change	1992 EPS[7]
Bolar Pharmaceutical	12 7/8	41%	NA	Triconex	10 1/2	-40%	NA
Wetterau	30 7/8	36	$2.25	Curative Technologies	6 1/8	-39	NA
Mercury General	42 3/4	32	4.53	VideoTelecom	8	-33	NA
Hibernia	6 3/8	28	-0.51	Technology Solutions	15	-33	$1.16
Westcott Commun	15 3/4	26	0.58	Altera	12	-32	1.07

The best and worst performing industry factors[8,9]

Best	2-week change	Since 12/31/91	Worst	2-week change	Since 12/31/91
Iron & steel	8.6%	10.6%	Coal & uranium	-42.2%	-53.2%
Motor vehicles	5.1	43.9	Tire & rubber	-14.4	5.2
Photographic, optical	5.0	-20.0	Drugs	-6.3	-15.7
Leisure, luxury	4.5	21.2	Tobacco	-6.0	-2.0
Misc mining, metals	3.7	8.9	Soaps, housewares	-5.8	-3.6

Note: Data for period ending 6/11/92. The Barra All-US index consists of all publicly traded common stocks for which price quotations are available and ordinary shares of foreign stocks trading on U.S. markets. ADRs, REITs and closed-end funds are excluded. [1] Total return of a portfolio of more than 150 large-capitalization stocks that has high historical earnings growth and has predicted above average earnings growth. [2] Total return of more than 300 large-capitalization stocks characterized by low price-to-book ratios, high yields and low price-to-earnings ratios. [3] A dollar-denominated capitalization-weighted index of more than 1,000 stocks from Europe, Australia, New Zealand and the Far East. Source: Morgan Stanley Capital International Perspective. [4] Index of 21 commodity futures. [5] Knight-Ridder Financial Information. [6] During the last two weeks. [7] Estimate. Source: Institutional Brokers Estimate System, from IBES, Inc. [8] Shows return to the industry factor after controlling for other influences including company size, value and growth characteristics. Multi-industry firms have proportional contributions in two or more groups. NA: Not available. Principal source: Barra, Inc., Berkeley, Calif.

WORLD MARKETS REVIEW

BY GUSTAVO LOMBO

Foreign vs. U.S. markets

Developed markets

Market	Total return[2] 3 months	12 months	P/E
Hong Kong	24%	71%	16
Norway	19	-6	NM
UK	12	20	18
Sweden	10	1	20
France	8	25	16
Japan	-10	-22	31
Canada	-6	-6	49
Austria	-6	-9	26
Finland	-4	-22	NM
Italy	-3	-8	19

Emerging markets[3]

	Total return[2] 3 months	12 months	P/E
Region			
Latin America	16%	102%	NA
Asia	-11	-14	NA
Country			
India	53	112	51
Chile	30	83	17
Argentina	19	227	29
Nigeria	-47	-28	10
Turkey	-37	-41	10
Zimbabwe	-28	-68	6

Over the last three months the Hong Kong market returned 24% (including dividends) in U.S. dollars. And since the June 1989 Tiananmen Square massacre, the total capitalization of the Hong Kong market has climbed 171%, to $171 billion. Leon Brand, a foreign-market analyst at Bear, Stearns, predicts that communist China will preserve Hong Kong's capitalist economy. "It is a banking center, an open door to the West and the way to develop their infrastructure," says Brand. During this bull market, the average multiple on Hong Kong stocks is only 16 (versus 24 in the U.S.). Brand thinks that the Hong Kong market is still cheap and that it could gain another 10% before year-end. *(For a related story, see p. 113.)*

What about Tokyo? Japan's Nikkei stock average is down 54% from its Dec. 29, 1989 peak, and Japanese issues are starting to look relatively cheap (FORBES, *June 22*). But Brand argues that continued uncertainty in the financial system and weakness in the economy will delay the recovery in Japanese stocks. Right now Brand favors stocks in the Netherlands, France and Germany.

Who's hot

Company/Country	Business	Price	3-month price change	P/E
Bank of East Asia/Hong Kong	banking	4⅛	54%	26
Ciments Francais/France	building materials	87⅛	52	26
T&N/UK	ind products	3	49	33
Hennes & Mauritz/Sweden	retailing	141½	41	16
Swissair/Switzerland	airline	492½	38	19

Who's not

Company/Country	Business	Price	3-month price change	P/E
Koito Mfg/Japan	ind products	6½	-60%	31
Mitsui Trust/Japan	financial svcs	6¾	-36	42
Alenia/Italy	aerospace	1⅛	-36	15
Natl Bank of Canada/Canada	banking	7⅛	-29	9
NKT/Denmark	ind products	45	-23	18

Cheap foreign stocks

Company/Country	Business	Price	Earnings	P/E
Solvay/Belgium	chemicals	396	$35.72	11
Volkswagen/Germany	automobiles	255¼	22.39	11
Suez (Compagnie De)/France	banking	60⅓	5.01	12
Grand Metropolitan/UK	multicompany	9⅛	0.61	15
Sumitomo Realty & Dev/Japan	real estate	5⅛	0.35	15

High-yielding foreign stocks

Company/Country	Business	Price	Yield	P/E
Trafalgar House/UK	multicompany	2½	13.3%	9
British Aerospace/UK	aerospace	6½	9.4	7
Stockland Trust/Australia	real estate	2⅛	8.6	14
Hoechst/Germany	chemicals	164	7.1	10
DSM/Netherlands	chemicals	64	6.9	10

Note: Data for period ending 5/31/92. Selected stocks have a market capitalization of at least $300 million. [1]Shows price return on the EAFE index of European, Australian, New Zealand and Far Eastern stocks converted into U.S. dollars. [2]Performance numbers reflect both local price change and currency fluctuation. Dividends are reinvested after subtracting foreign withholding tax. [3]For period ending 4/30/92. NA: Not available. NM: Not meaningful. Principal source: Morgan Stanley Capital International Perspective. Emerging markets data provided by International Finance Corporation.